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GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

DECEMBER 2012

The deficit of the central government amounted to HUF 607.5 billion in 2012. The net prefinancing of cash transfers from the European Union increased the net borrowing requirement by HUF 238.8 billion. Thus, the total net financing requirement amounted to HUF 846.3 billion in 2012. Net issuance was HUF 526.8 billion; out of which net HUF-denominated issuance was HUF 1,708.5 billion and net foreign currency denominated issuance was HUF -1,181.7 billion.

	2011		2012		Change	
HUF billion	December	%	December	%	HUF billion	%
Foreign exchange denominated debt	10,170.4	48.5	8,326.6	40.2	-1,843.9	-18.1
Government securities	5,712.3	27.3	5,014.1	24.2	-698.2	-12.2
Loans	4,458.1	21.3	3,312.5	16.0	1,145.6	-25.7
HUF denominated debt	10,362.2	49.4	12,042.4	58.1	1,680.2	16.2
Government securities	9,771.4	46.6	11,475.6	55.4	1,704.2	17.4
Loans	590.8	2.8	566.8	2.7	-24.0	-4.1
Total	20,532.6	98.0	20,369.0	98.3	-163.6	-0.8
Other obligations	422.9	2.0	351.1	1.7	-71.8	-17.0
Total central government debt	20,955.5	100.0	20,720.1	100.0	-235.5	-1.1

The HUF denominated debt of the central government increased by HUF 1,680.2 billion in 2012. The difference between the net change in the debt stock and the net issuance was caused by withdrawing from the market HUF 31.1 bn of government securities that were handed over to the state by the Pension Reform and Debt Reduction Fund and also by the change in the volume of matured but unclaimed securities. The increase in domestic debt was the result of net government bond issuance of HUF 830.7 billion, the amount of discount Treasury bills increased by HUF 365.6 billion and the total amount of retail government securities increased by HUF 512.8 billion.

The foreign currency debt of the central government decreased by HUF 1,843.9 billion in 2012. The drawdown of foreign currency denominated loans worth HUF 144.5 increased, the domestic P€MAK bond issuance also increased the debt by HUF 88.3 billion, while the redemptions of foreign currency debt worth HUF 1,414.4 billion decreased the debt, out of which 0,1 HUF bn of Hungarian foreign currency government bonds were in the possession of the Pension Reform and Debt Reduction Fund. The exchange rate revaluations totalling HUF 662.1 billion decreased the Hungarian Forint value of the foreign currency debt in 2012.

Secondary market yields in December:

Benchmark yields

Maturity	30.12.2011.	30.11.2012.	28.12.2012.	Change, basis points
3-month	7.55	5.88	5.33	-55
6-month	7.60	5.84	5.28	-56
1-year	7.95	5.88	5.40	-48
3-year	9.06	5.96	5.61	-35
5-year	9.64	6.31	5.89	-42
10-year	9.75	6.82	6.11	-71
15-year	9.76	6.88	6.11	-77

Monthly OTC turnover of government securities has not changed compared to the previous month and reached HUF 2,350.2 billion. Primary dealers, who account for the decisive part of all secondary government securities trading, made 48% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 46.3 billion in December, and amounted to HUF 5,008.5 billion at the end of the month. This volume represented 43.6% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 291.29 on the last working day of December.

The credit rating of the long-term foreign currency debt of the Republic of Hungary is as follows on the last working day of December: BB (Standard & Poor's); Ba1 (Moody's); BB+ (Fitch).

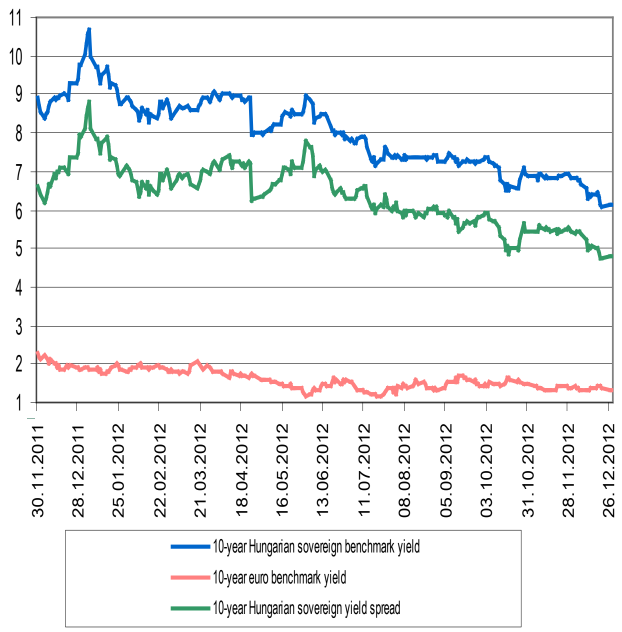
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

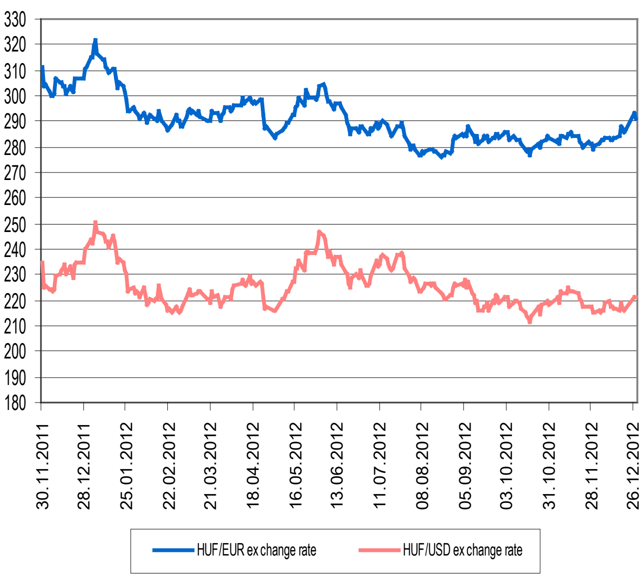
	2006	2007	2008	2009	2010	2011	October 2012	November 2012	December 2012
1. Forint denominated debt	10,552.3	11,103.8	11,250.6	10,476.2	10,978.2	10,362.2	11,970.9	12,285.9	12,042.4
1.1. Loans	356.4	145.7	219.9	438.7	540.8	590.8	576.8	566.8	566.8
1.2. Government securities	10,195.9	10,958.1	11,030.7	10,037.5	10,437.4	9,771.4	11,394.1	11,719.1	11,475.6
1.2.1. Public issues	9,667.5	10,465.4	10,599.7	9,613.2	10,019.6	9,378.1	10,993.4	11,318.3	11,077.1
1.2.1.1. Bonds	7,244.2	8,245.3	8,570.6	7,519.2	7,965.8	7,353.4	8,067.9	8,136.2	8,184.1
1.2.1.2. Discount T-bills	1,755.9	1,664.9	1,482.4	1,647.3	1,618.2	1,540.9	2,056.4	2,256.5	1,906.5
1.2.1.3. Retail securities	667.4	555.2	546.4	446.6	435.7	473.8	869.1	925.6	986.6
1.2.2. Private placements	528.4	492.7	431.0	424.3	417.8	403.2	400.7	400.7	398.5
2. Foreign currency denominated debt*	4,124.4	4,472.6	6,774.8	8,466.7	8,842.8	10,170.4	8,471.5	7,967.9	8,326.6
2.1. Loans	803.7	846.5	2,529.4	4,112.7	4,292.8	4,458.1	3,395.5	3,199.5	3,312.5
2.1.1. Foreign loans	700.1	838.8	2,529.4	4,112.7	4,292.8	4,361.9	3,313.7	3,118.6	3,229.0
2.1.2. Domestic loans	103.6	104.0	0.0	0.0	0.0	96.2	81.8	80.9	83.5
2.1.2.1. Raised from National Bank of Hungary (NBH)	95.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2.2. Other loans	7.7	7.7	0.0	0.0	0.0	96.2	81.8	80.9	83.5
2.2. Government securities	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,076.0	4,768.4	5,014.1
2.2.1. Issued abroad	3,320.7	3,626.1	4,245.5	4,354.0	4,550.0	5,712.3	5,076.0	4,739.2	4,924.2
2.2.1.1. Foreign currency bonds	3,320.6	3,626.1	4,245.4	4,354.0	4,550.0	5,712.3	5,076.0	4,739.2	4,924.2
2.2.1.2. Kingdom of Hungary 1924 issues	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. Issued domestically	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29.2	89.9
Total	14,676.7	15,576.4	18,025.4	18,942.9	19,821.0	20,532.6	20,442.4	20,253.7	20,369.0
Other liabilities	29.0	9.1	78.5	20.1	220.01	422.9	386.7	399.7	351.1
Total central government debt	14,705.7	15,585.5	18,103.9	18,963.1	20,041.0	20,955.5	20,829.1	20,653.5	20,720.1
Marketable HUF debt (1.2.1.1+1.2.1.2.+1.2..2.)	*9,528.4*	*10,402.9*	*10,484.0*	*9,623.3*	*10,001.8*	*9,297.6*	*10,525.0*	*10,793.4*	*10,489.1*
Gross debt/GDP	*61.8%*	*61.3%*	*68.2%*	*72.7%*	*74.9%*	*74.4%*			

*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

% **10-year Hungarian and eurozone benchmark yields during the last year**

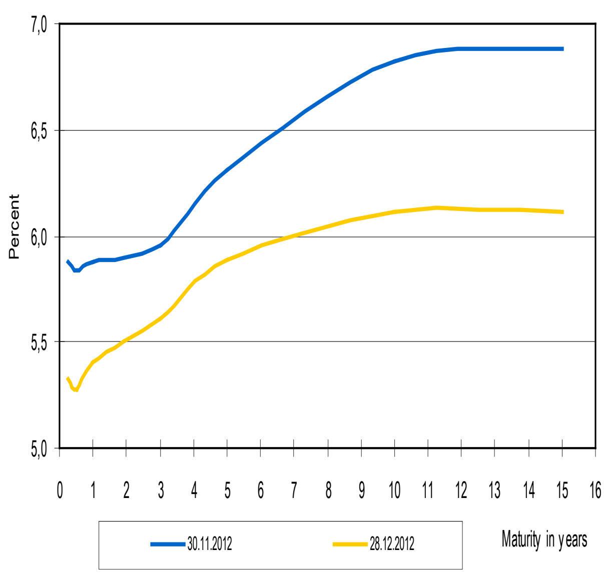


The exchange rate of the Hungarian Forint during the last year



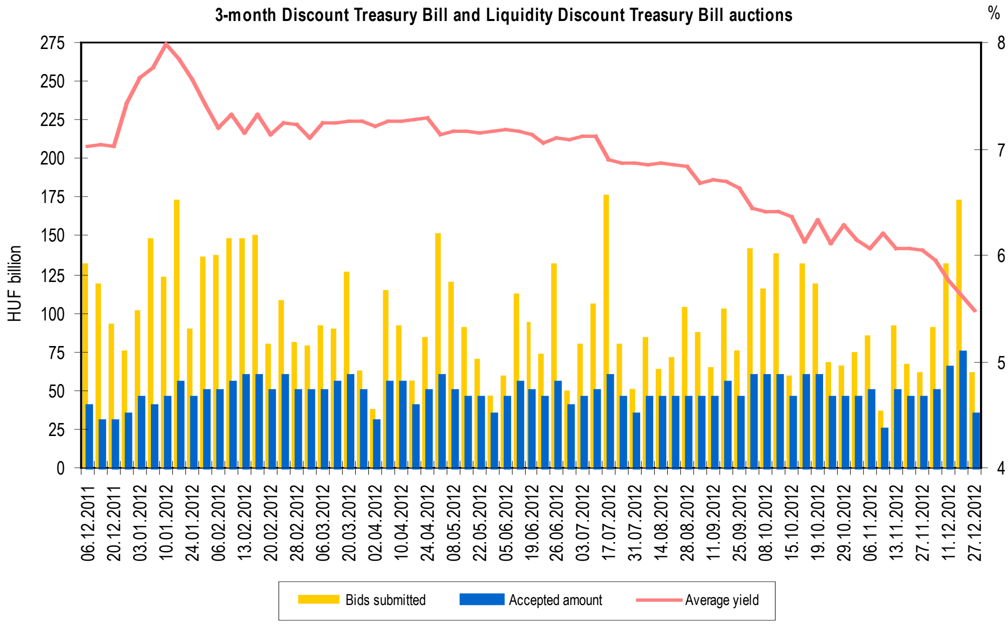
Benchmark yields in the past three months

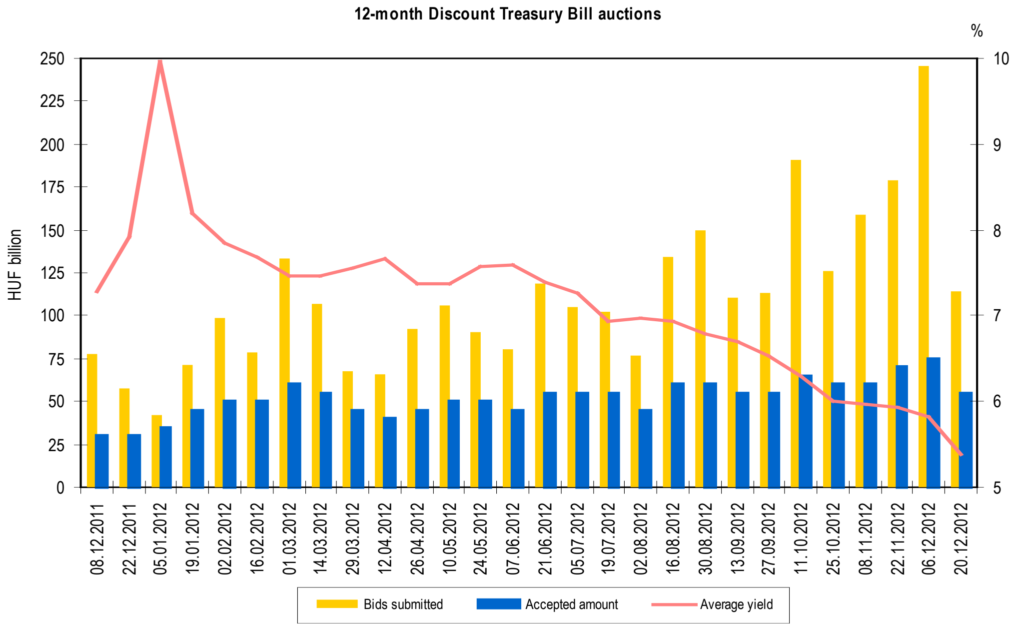
Benchmark yield curves



DISCOUNT TREASURY BILL AUCTION RESULTS

	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D130313	D130320	D130327	D130403	D131113	D131113
ISIN code	HU0000519236	HU0000519244	HU0000519251	HU0000519269	HU0000519202	HU0000519202
Maturity in days	91	91	90	91	336	321
Date of auction	04.12.2012	11.12.2012	18.12.2012	27.12.2012	06.12.2012	20.12.2012
Date of financial settlement	12.12.2012	19.12.2012	27.12.2012	02.01.2013	12.12.2012	27.12.2012
Redemption date	13.03.2013	20.03.2013	27.03.2013	03.04.2013	13.11.2013	13.11.2013
Maximum yield, (%) - ISMA	6.00	5.82	5.65	5.55	5.85	5.40
Minimum yield (%) - ISMA	5.87	5.70	5.59	5.39	5.78	5.30
Average yield (%) - ISMA	5.96	5.77	5.63	5.47	5.81	5.38
Maximum yield, (%) - EHM	6.08	5.90	5.73	5.63	5.93	5.48
Minimum yield (%) - EHM	5.95	5.78	5.67	5.47	5.86	5.37
Average yield (%) - EHM	6.04	5.85	5.71	5.55	5.89	5.45
Average selling price (%)	98.5158	98.5624	98.6120	98.6362	94.8563	95.4224
Amount offered for sale (HUF million)	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Amount of bids submitted (HUF million)	90,750.00	131,554.00	173,245.30	61,944.85	245,823.04	114,340.00
Amount of bids accepted (HUF million)	49,999.95	64,999.93	74,999.98	34,999.99	74,999.99	54,999.96
Bid-to-cover ratio	1.81	2.63	3.46	1.24	4.92	2.29
Bids submitted (pcs)	92	119	123	58	121	92
Bids accepted (pcs)	55	49	35	47	27	42
Market sales* (HUF million)	49,999.95	64,999.93	74,999.98	74,999.98	74,999.99	54,999.96
Retained on ÁKK's own account	15,000.05	19,500.07	22,500.02	34,999.99	22,500.01	16,500.04
Total amount issued (HUF million)	65,000.00	84,500.00	97,500.00	45,500.00	97,500.00	71,500.00

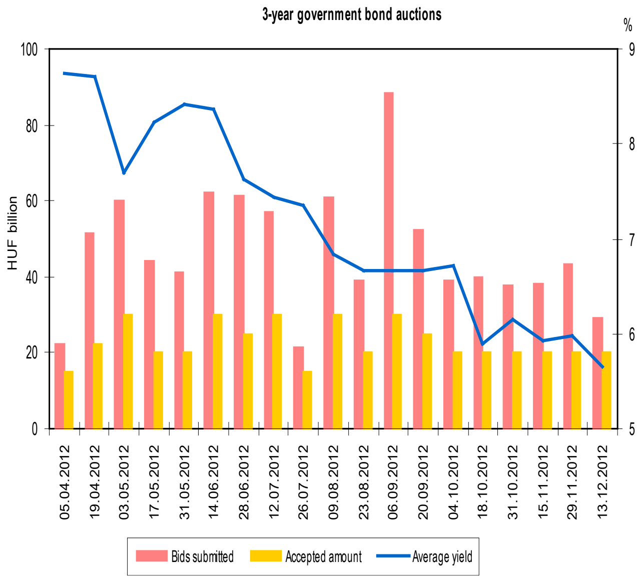


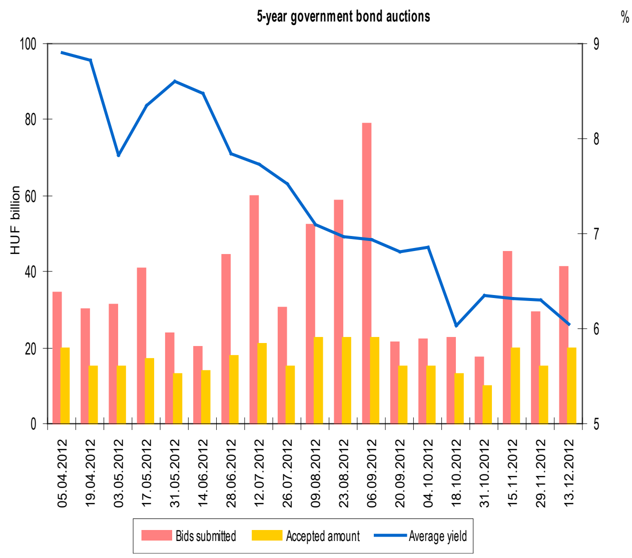


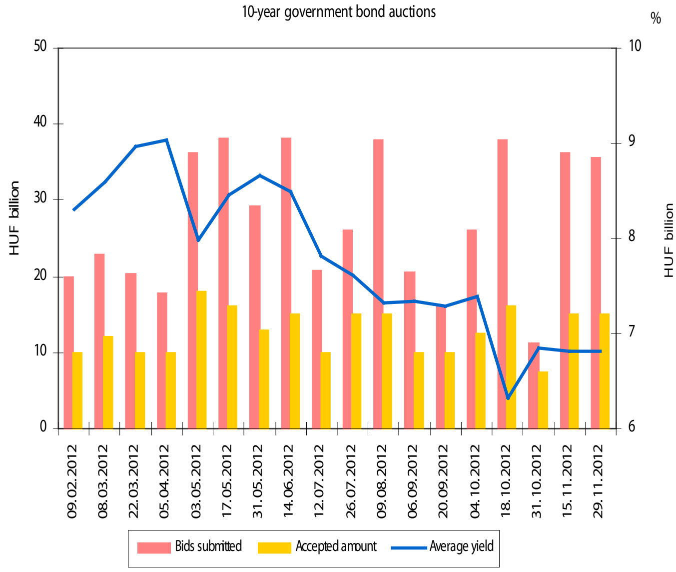
GOVERNMENT BOND AUCTION RESULTS

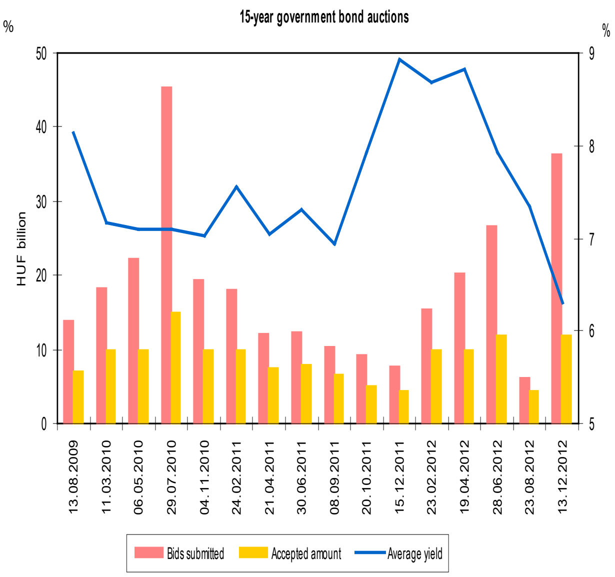
Government Bond	2015/B	2015/C	2017/A	2028/A
ISIN code	HU0000402482	HU0000402581	HU0000402037	HU0000402532
Maturity (in years)	3	3	5	15
Coupon (%)	7.17%	7.75%	6.75%	6.75%
Auction	27th auction	23rd auction	51st auction	11th auction
Date of auction	06.12.2012	13.12.2012	13.12.2012	13.12.2012
Date of financial settlement	12.12.2012	19.12.2012	19.12.2012	19.12.2012
Redemption date	22.12.2015	24.08.2015	24.11.2017	22.10.2028
Maximum annual yield (%) - ISMA		5.68	6.08	6.32
Minimum annual yield (%) - ISMA		5.59	5.98	6.30
Average annual yield (%) - ISMA		5.65	6.04	6.31
Maximum annual yield (%) - EHM		5.68	6.08	6.32
Minimum annual yield (%) - EHM		5.59	5.98	6.30
Average annual yield (%) - EHM		5.65	6.04	6.31
Maximum price (%)	97.6500	105.1948	103.1945	104.4018
Minimum price (%)	97.6500	104.9680	102.7703	104.1992
Average price (%)	97.6500	105.0389	102.9300	104.2762
Amount offered for sale (HUF million)	5,000.00	20,000.00	15,000.00	8,000.00
Amount of bids submitted (HUF million)	17,021.55	29,200.00	41,300.00	36,420.00
Amount of bids accepted (HUF million)	7,499.99	19,999.99	19,999.98	11,999.97
Bid-to-cover ratio	2.27	1.46	2.07	3.04
Bids submitted (pcs)	32	46	58	61
Bids accepted (pcs)	11	33	36	24
Tail (average price - minimum price)	0.00	0.07	0.16	0.08
Market sales* (HUF million)	7,499.99	19,999.99	19,999.98	11,999.97
Non-competitive offer (HUF million)	2,391.38	3,781.25	146.66	3,423.91
Total amount issued (HUF million)	7,500.00	20,000.00	20,000.00	24,000.00

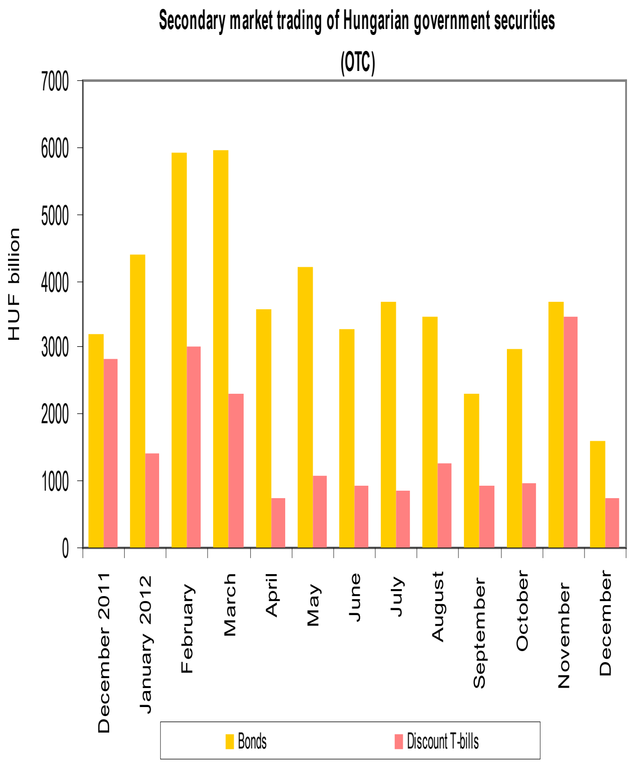
*Without issuance onto ÁKK's own account

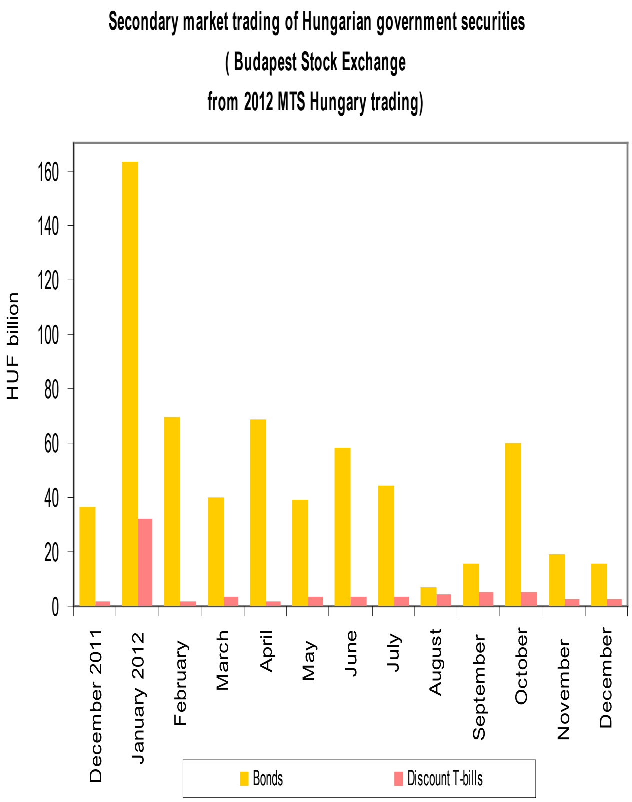


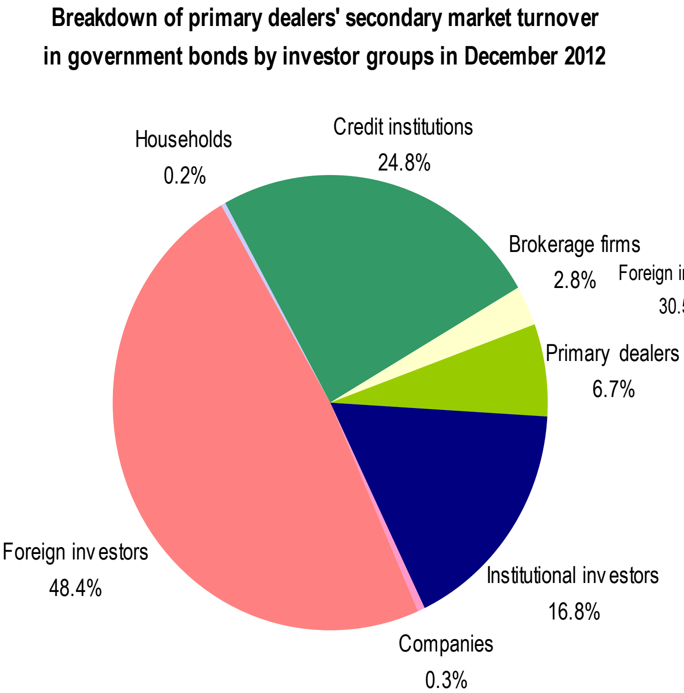


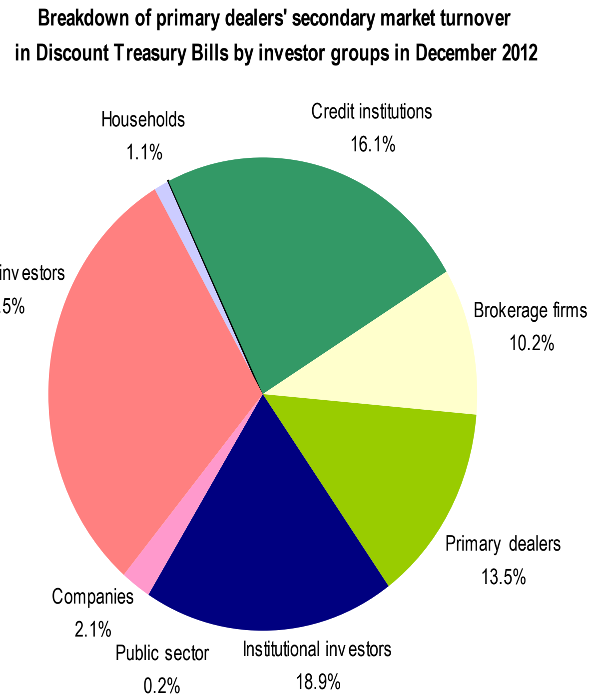





Secondary market trading of Hungarian government securities
(OTC)
HUF billion
7000
6000
5000
4000
3000
2000
1000
0
December 2011
January 2012
February
March
April
May
June
July
August
September
October
November
December
Bonds
Discount T-bills


Secondary market trading of Hungarian government securities
(Budapest Stock Exchange
from 2012 MTS Hungary trading)
HUF billion
160
140
120
100
80
60
40
20
0
December 2011
January 2012
February
March
April
May
June
July
August
September
October
November
December
Bonds
Discount T-bills


Breakdown of primary dealers' secondary market turnover
in government bonds by investor groups in December 2012
Households
0.2%
Credit institutions
24.8%
Brokerage firms
2.8%
Primary dealers
6.7%
Institutional investors
16.8%
Companies
0.3%
Foreign investors
48.4%


Breakdown of primary dealers' secondary market turnover
in Discount Treasury Bills by investor groups in December 2012
Households
1.1%
Credit institutions
16.1%
Foreign investors
30.5%
Brokerage firms
10.2%
Primary dealers
13.5%
Institutional investors
18.9%
Public sector
0.2%
Companies
2.1%

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN DECEMBER 2012

Government Bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate (%)	Interest payable (%)
2013/C	20.12.2012	20.12.2012	20.06.2013	20.06.2013	6.50	3.29
2014/B	20.12.2012	20.12.2012	20.06.2013	20.06.2013	6.50	3.29
2015/B	19.12.2012	22.12.2012	22.06.2013	24.06.2013	5.76	2.91
2015/I	06.12.2012	08.12.2012	08.12.2013	09.12.2013	9.00	9.00

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31 December 2012	526.4198	490.8606	517.6943	488.7369
Changes compared to the end of the month before	11.9910	3.5546	10.5061	2.7481
Annual yield earned on the index portfolio	22.11%	8.53%	19.91%	7.52%

Government securities with the highest secondary market turnover in December 2012

Government security	Date of redemption	Turnover (HUF billion)
2022/A	24.06.2022	348.9
D131113	13.11.2013	272.2
2015/C	24.08.2015	196.9
2017/A	24.11.2017	133.0
2019/A	24.06.2019	116.4
2013/D	12.02.2013	112.8
2013/E	24.10.2013	106.9
2017/B	24.02.2017	98.7
2028/A	22.10.2028	89.6
D130327	27.03.2013	88.8

The outstanding volume of government bonds with benchmark status at the end of December 2012

Government bond	HUF billion 30.11.2012	HUF billion 28.12.2012
2015/C	598.93	609.59
2017/A	903.76	907.32
2022/A	517.11	533.45
2028/A	82.83	98.25